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23 AUG 1962

MEMORANDUM FOR THE RECORD

SUBJECT: Informal Coordination of Retirement Proposal with Civil Service Commission

1. I met with Mr. Andrew E. Ruddock, Director, Bureau of Retirement and Insurance, Civil Service Commission, on 6 August 1962 to discuss the Agency's proposal to obtain legislative authority to establish a retirement system corresponding to that of the Foreign Service. Mr. Ruddock had received two copies of our explanatory statement: one which I had sent him at his request and one which he had received from the Bureau of the Budget with a deadline of Wednesday, 8 August, for comments.

2. At the start of the meeting, Mr. Ruddock reviewed for me the Kaplan studies and various other researches arguing for consolidation of the various retirement systems now in effect in the Federal service and indicated that as a matter of principle the Commission would be obliged to oppose any suggestions for furthering splintering. I explained to Mr. Ruddock that our proposal was not indeed for a new system but to give the Agency the authority to apply to the personnel for whom it was appropriate a system which was already in existence. I also explained to him the nature of our problem and our reasons for believing that the Foreign Service plan was appropriate for certain groups of Agency employees.

3. Mr. Ruddock indicated that he would favor a system permitting voluntary retirement at age 50 with 20 years of service for all branches of service involving overseas duty on a career basis. He advanced a new argument (as compared with those mentioned in our briefs) in support of this view, as follows: the employee who has spent most of his working life overseas has had little opportunity to establish roots in a U. S. business community which would help him in making an employment adjustment upon retirement. In their tentative proposals, they are fixing the length of overseas service at 10 of 20 years of service.

4. On the cost factor, Mr. Ruddock expressed disagreement with the practice of citing all retirement costs as a percentage of current payroll costs and indicated that he felt that only current costs should be so described. In terms of present experience, current costs represent 13.83% of payroll. In other words, taking into consideration the average age, grade progression, and span of service of the entrant into government service, a contribution of 13.83% of payroll would fully fund the benefits currently due the average retiree. The difference between the 13.83% and

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the 21.35% reported in the most recent report of the Board of Actuaries as the total cost of retirement represents benefits which have been accrued without adequate deductions. (As an example, Mr. Ruddock quoted PL 87-114 giving increased annuities which were chargeable to the Retirement Fund.) Incidentally, Mr. Ruddock noted that the 13.83% figure included a computation on investment of withholdings at 3% interest.

5. At the conclusion of our meeting, Mr. Ruddock indicated that he would recommend that the Commission concur in our retirement proposal with the proviso that the Agency should come under a single, consolidated plan at such time as the Commission could accomplish its objective of establishing a unified plan which would accommodate all of the special requirements of separate services. I indicated that we would be satisfied with this.

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[redacted]

Director of Personnel

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